

PURCHASE OF FEDERAL RETIREMENT SERVICE

A.C.A. § 24-1-107, A.C.A. § 24-7-601

DEFINITIONS

1. **Board** means the Board of Trustees of the Arkansas Teacher Retirement System (ATRS).
2. **Federal Retirement Service** means service credited with a federal retirement system as a result of employment with federal government agencies.
3. **System** means the Arkansas Teacher Retirement System.

RULES

1. Beginning August 12, 2005, an active member shall be eligible to purchase federal retirement service under the following conditions (Act 2091 of 2005):¹
 - A. Federal retirement service eligible for purchase is limited to service for which no benefit is payable from the federal retirement system in which he or she had previously been a member.
 - B. Federal retirement service purchased shall be limited to ten (10) years.
2. The cost to purchase federal retirement service is the employee and employer contribution rates in effect at the time of purchase times the greater of:
 - A. The first full year of annual salary the member received for actual service to a covered employer earned immediately preceding the purchase; or
 - B. The average of the member's three highest annual salaries to a covered employer. If the member does not have at least three salaries that comprise three years of service, the cost statement shall be based solely upon the first full year's covered annual salary for Arkansas service immediately preceding the purchase. If the member has not earned one full year of Arkansas service, no cost statement will be provided.

¹The Board shall not implement the purchase of federal retirement service until the System has reduced its unfunded accrued liabilities being amortized over a period exceeding thirty (30) years to a level less than the standards prescribed for those public retirement systems under A.C.A. § 24-1-104 and A.C.A. § 24-1-105.

- C. Interest will be added to the cost statement of federal credited service from the date the federal service began to the date of payment. Interest will accrue annually on any unpaid balance based upon the initial payment date.
- 3. The federal retirement service will become credited service in the System when:
 - A. The member payments have been paid in full; and
 - B. The member has established five (5) or more years of actual service exclusive of federal retirement service.
- 4. Should a member cease to be an active member before the federal retirement service has been established as System credited service, the member payments contributed shall be refundable, together with regular interest; however, due to IRS regulations, purchase account payments made through employer pick-up are subject to the restrictions as stated in Rule No. 8-6 (Rollover Eligibility).
- 5. To be eligible to establish one (1) year of federal retirement service, a minimum of one hundred twenty (120) days must have been worked. Fractional years of domestic federal service may be purchased in accordance with A.C.A. § 24-7-601 and A.C.A. § 24-1-107). A month of domestic federal service shall be considered as twenty (20) days.
- 6. Certification of federal retirement service must be submitted to ATRS on a form provided by the System.
- 7. All federal retirement service shall be counted as contributory service.
- 8. Purchased federal credited service shall be credited to the fiscal year in which it was rendered.
- 9. Repayments of refunds or the purchase of service may be made by employer pick-up (tax-deferred deductions). See Rule No. 8-5 (Purchase Payments).
- 10. ATRS will accept participant rollover contributions and/or direct rollovers of distributions for the purchase of service credit under certain circumstances. See Rule No. 8-4 (Direct Rollover Eligibility).

Adopted: February 11, 2008